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No. 84-562 (3)

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,
Petitioner,

v.

BIO-RAD LABORATORIES, INC.
a Delaware corporation,
Respondent.

Brief in Opposition to Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Nothing about this patent case warrants review by this Court.

The decision of the Court of Appeals for the Federal Circuit awarding Respondent[1] damages for Petitioner's infringement of Respondent's patent is manifestly right. There is no conflict of decision. The petition raises no unsettled

[1] Pursuant to Rule 28.1, Respondent identifies International Plant Research Institute; Orimbio, S.A., Paris France; and O.E.M. Systems, Tokyo, Japan as affiliates.

questions of Federal law, no Constitutional issues, and no questions of public importance. There has been no departure from the accepted and usual course of judicial proceedings; indeed, Petitioner itself is responsible for the errors charged. In short, there is no special or important reason for granting a writ of certiorari in this case.

Petitioner, like many litigants, believes it should not have been found liable. Its contentions were carefully considered by a conscientious jury during 44 days of trial, by an experienced District Court, and by a competent Court of Appeals specializing in review of patent cases such as this. Yet, Petitioner asks this Court to review the issues of patent validity and infringement on a *de novo* basis. No such further review of Petitioner's contentions should be undertaken by this Court.

Questions Presented

Petitioner's four "Questions Presented" do not accurately state the issues which Petitioner would bring to this Court on certiorari. The questions actually presented by this petition are:

> (1) Whether it was reviewable error for the District Court to submit to the jury (a) certain questions on general verdict, without special interrogatories, where Petitioner itself insisted on that procedure over Respondent's objections; and (b) certain other questions where the Petitioner proposed that submission, consented to it, and never objected to it until after the verdict. This restates Petitioner's Questions Presented Nos. 1-3.
>
> (2) Whether it was reviewable error for the District Court not to have given a jury instruction requiring proof that the patentee's own product was covered by the patent, where Petitioner itself co-authored the instructions, never proposed contrary instructions, and never objected to the propriety of the instructions. This restates Petitioner's Question Presented No. 4.

STATEMENT OF THE CASE

The patent-in-suit, U.S. Patent No. 3,319,515, discloses a technique for high speed measurement of thin films. The patent illustrates the invention in terms of measuring clear cellophane film during manufacture, but nothing in the patent specification or claims limits the scope to any particular type of thin film (N App 8-13).[2] Claims 1-4 of the patent are directed to a method, while claims 5-7 are directed to equipment used to perform the method.

The instruments of both Respondent and Petitioner perform high speed measurements of the thickness of epitaxial ("epi") layers, which are thin films on semiconductor wafers (N App 28). Such measurement is desirable during the manufacture of integrated circuits for quality control purposes.

The invention's greatest success came in the semiconductor industry. Under exclusive license from the patent owner, E.I. DuPont de Nemours, Inc., Respondent and its predecessor, Digilab, sold some 185 epi gauges ("the FTG") (TR 794) at prices up to $65,000 per unit. Petitioner sold roughly half as many infringing gauges ("the MX-ECO") at lower, but comparable prices. At trial, Respondent introduced evidence to show that semiconductor manufacturers benefitted greatly from the invention: The FTG had the advantage of speed, ease of use and accuracy (TR 640). Texas Instruments manufactured its own in-house epi measurement system (TR 2350) pursuant to a license under the patent. Cox, of Texas Instruments, testified that the licensed in-house system increased measurement accuracy by a factor from 5 to 10, allowed one operator to handle what six or eight could before, and reduced training time from weeks to minutes (TR 2125-27). Petitioner's own expert, Dunn, testified that use of the machine saved one customer its $65,000 cost in two weeks (TR 2431).

The remainder of the facts in this case, particularly with regard to the structure and operation of the MX-ECO, the

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[2] In this brief, page numbers preceded by "N Br" and "N App" refer to Petitioner Nicolet's Brief and Appendix, respectively, and page numbers preceded by "BR App" and "TR" refer to Respondent BioRad's Appendix and to the trial transcript, respectively.

meaning of terms used in the patent claims *vis a vis* the MX-ECO and the prior art, the structure and operation of devices shown in the prior art, and the credibility of most expert and percipient witnesses were in sharp dispute and were the subject of conflicting evidence and/or inferences. Throughout its "Statement Of The Case" (N Br 3-6), and elsewhere, Petitioner makes extensive representations of fact that are actually Petitioner's contentions as to the above disputed issues, which contentions were rejected by the jury and both lower courts.

Both Respondent's patent infringement claim and Petitioner's antitrust counterclaim were tried to a jury. The jury rendered a unanimous verdict in Respondent's favor and against Petitioner on all counts. At no time prior to the verdict did Petitioner object to having any issue tried to the jury. Indeed, Petitioner itself successfully urged that patent validity including the question of "obviousness" be submitted to the jury, over Respondent's objection (TR 5907-5908, 5923).

Both the jury instructions and the form of verdict were jointly prepared and jointly submitted by the parties (TR 5906-5907). Respondent sought to have the form of verdict include specific questions for the jury to make factual findings regarding the factual elements of the *Graham* v. *Deere* test [383 U.S. 1, 15 L.Ed.2d 545 (1966)] so that the factual basis of the jury's obviousness determination could be assessed; however, Petitioner successfully opposed this form of verdict (TR 5902-04, 5907-08, 5910).

REASONS FOR DENYING THE WRIT

Petitioner's derogation of the jury system and this jury (N Br 7) is remarkable because, contrary to the premise upon which Petitioner's Questions Nos. 1-3 are based, Petitioner sought the result of which it now complains. Following closing argument, on December 21, 1982, trial counsel met with the District Court in chambers to discuss jury instructions and the form of verdict to be employed. Respondent's counsel argued that the question of patent validity should not be submitted to the jury, but that it should be reserved for the District Court

and that the subsidiary factual issues be submitted to the jury by special interrogatory. Petitioner opposed this procedure. Mr. Hohbach, Petitioner's trial counsel, summarized the dispute as follows:

> "Your Honor, let me ask you this question. One thing comes to mind with respect to validity and invalidity. I would think that Your Honor would want the jury to make the decision. They (Respondent) want, I guess, Your Honor to make the final decision after they answer these interrogatories." (TR 5923).

Petitioner succeeded in convincing the Court that patent validity should be submitted to the jury on general verdict, without special interrogatories, the very procedure which Petitioner now contends was in error.

Petitioner's slighting remarks about this jury are unwarranted. To assure the parties the opportunity to select the highest caliber jury, the District Court agreed to permit extra peremptory challenges, a privilege that Petitioner did not exercise. The jury of eight persons was conscientious (faithfully attending 44 days of trial), gainfully employed and well-educated (including an accountant, a college student, a nurse, a bacteriologist with college courses in physics, a systems analyst, and a postal department supervisor who had taken college courses in physics, chemistry and calculus). The jury's intelligent comprehension of the technical issues and its attentiveness to the proceeding were reflected in questions asked by the jury during trial.

1. Petitioner Itself Is Responsible For Each Alleged Error Upon Which The Questions Presented Are Based

Petitioner felt its interests were best served by a trial strategy and format in which all issues were submitted to the jury, on a general verdict without special interrogatories, with jury instructions it co-authored. Petitioner was successful in persuading the trial court to adopt this format, and must now accept the consequence of that success. On review, because the alleged errors were invited by Petitioner, they must be imputed to Petitioner, rather than to the lower courts. *St. Louis Public Schools* v. *Risley*, 77 U.S. 91, 19 L.Ed. 850, 857 (1869).

Petitioner is responsible for submitting patent validity (obviousness and anticipation) and infringement to the jury for determination. Not only did Petitioner convince the Court to submit validity to the jury, over Respondent's objection, but Petitioner co-authored and stipulated to the joint form of verdict which submitted both validity and infringement to the jury. Petitioner did not object to this submission at any time prior to the verdict, as contemplated by the F.R.Civ.P. Rule 39(a) (BR App 2b). This is dispositive of Petitioner's Questions Presented Nos. 1-3, discussed in greater detail below.

Petitioner is responsible for the court's use of a general verdict, having urged that general verdict be employed, over Respondent's objection, and having co-authored the form of verdict employed. This is dispositive of Petitioner's Questions Presented Nos. 1 and 3, discussed below.

Petitioner is responsible for the non-use of special interrogatories directed to subsidiary factual issues of patent validity, including the factual elements of obviousness pursuant to this Court's landmark decision, *Graham* v. *John Deere Co.*, 383 U.S. 1 (1966). Not only did Petitioner dissuade the District Court from using special interrogatories, as proposed by Respondent, but Petitioner never proposed its own special interrogatories or objected to their non-use prior to the verdict. This is dispositive of Petitioner's Question Presented No. 2.

Petitioner is responsible for the jury instructions employed, having co-authored and stipulated to those instructions, and having never objected to them (N App 44) "before the jury retire(d) to consider its verdict." F.R.Civ.P. 51 (BR App 3b). Under Rule 51, Petitioner's failure to object is fatal to its attempt to assign error to "the giving or failure to give an instruction". This is dispositive of all Questions Presented. Each of Petitioner's Questions Presented Nos. 1-3 turns on the propriety of the jury instructions. Moreover, the failure to seek jury instructions requiring proof that the patentee's product be covered by the patent is dispositive of Question Presented No. 4.

Appellate courts do not review matters as to which no objection has been raised below, absent great injustice not present here. *Hormel* v. *Helvering*, 312 U.S. 552, 556-557, 85

L.Ed. 1037, 1041 (1941); *General Utilities & Operating Co.* v. *Helvering,* 296 U.S. 200, 206, 80 L.Ed. 154, 157 (1935); *Springer* v. *United States,* 102 U.S. 586, 593, 26 L.Ed. 253, 256 (1880). Likewise, appellate courts do not review matters as to which the party seeking review itself has been the source of the error alleged. *Maxwell Land Grant Co.* v. *Dawson,* 151 U.S. 586, 605, 38 L.Ed 279, 285 (1894); *St. Louis Public Schools* v. *Risley,* 19 L.Ed at 857.

In addition, F.R.Civ.P. 39(c) (BR App 2b) provides that the jury's verdict on any issue submitted to the jury "*by consent*" has the "same effect"[3] as if it had been triable to the jury "as of right". Accordingly, on review, patent validity and infringement must be treated as though they were triable to the jury "as of right." Therefore, Petitioner is precluded from contending that validity and infringement should not have been submitted to the jury in the first place.

Finally, Petitioner is barred from contesting the substantiality of evidence in support of the verdict because Petitioner did not renew its motion for directed verdict at the close of all the evidence, as contemplated by F.R.Civ.P. 50(b) (BR App 3b). *Creative Cookware* v. *Northland Aluminum Products, Inc.* 678 F.2d 746, 748 (8th Cir. 1982); *Tights, Inc.* v. *Acme-McCrary Corp.,* 541 F.2d 1047, 1058 (4th Cir. 1976). This is dispositive of Question Presented No. 1, as will be discussed.

2. Validity And Other "Questions Of Law" Need Not Always Be Determined By The Court "As A Matter Of Law"

The jury did exactly what juries are supposed to do. It determined facts from the evidence presented; it learned the law from the trial judge; it applied the law to the facts; and it rendered a verdict. Petitioner's challenge of this process is based on a false premise. The fact that patent validity is a "question of law" does not mean that it should be determined differently from any other "question of law" which contains mixed questions of law and fact.

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[3] The "effect" of a jury's verdict, *vis a vis* the appellant's right to question it on appeal and the steps he must take to preserve that right are discussed at Moore's *Federal Practice,* Vol. 5, ¶38.08[5-7].

Patent validity, like other questions of law, is determined by the Court as a matter of law only (1) if there are no disputed subsidiary questions of fact, or (2) if the disputed subsidiary questions of fact are not supported by substantial evidence. Such is not the case here.

Where a general verdict is not accompanied by special interrogatories, reviewing courts presume that the jury made the factual findings and legal conclusions necessary to support the verdict. Assuming the verdict loser has preserved his right to do so, he may bring a motion for judgment notwithstanding the verdict, in which case it is his burden to show either (1) that the jury's presumed or express findings are not supported by substantial evidence, or (2) if the jury's findings were supported by substantial evidence, that the legal conclusions implied from the verdict cannot be supported by those findings. The verdict loser may also bring a motion for new trial, the grant or denial of which is reviewed on an abuse of discretion standard. Both the trial court and appellate court apply the same standards of review to a general verdict unsupported by special interrogatories.

The foregoing general principles are widely accepted as defining the traditional relationship of judge and jury with respect to determinations of law and fact, and have been applied in patent cases. *Panther Pumps & Equipment Co., Inc.* v. *Hydrocraft, Inc.*, 468 F.2d 225, 227-228 (7th Cir. 1972); *Tights, Inc.* v. *Acme-McCrary Corp.*, 541 F.2d at 1055-57. This is the procedural framework under which the present case was decided (N App 28-30), according to guidelines enunciated by the Federal Circuit[4] in *Railroad Dynamics, Inc.* v. *A. Stucki Co.*, 727 F.2d 1506 (Fed. Cir. 1984), *cert. denied* Oct. 2, 1984; *Perkin-Elmer Corp.* v. *Computervision Corp.*, 732 F.2d 888 (Fed. Cir. 1984), *cert. denied* Oct. 2, 1984.

Petitioner argues there are conflicts between the decisions of the Federal Circuit and five decisions of other circuits that Petitioner contends "require that the ultimate legal determina-

[4] This Court recently rejected opportunities to review the propriety of the foregoing procedures *vis a vis* determinations of patent validity on a general jury verdict without special interrogatories, in denial of petitions for certiorari on the Federal Circuit's leading cases on those topics (*Railroad Dynamics, cert. denied* Oct. 2, 1984 and *Perkin-Elmer, cert. denied* Oct. 2, 1984), where the same issues as Questions Presented Nos. 1-3 were raised.

tion of patent validity is to be made as a matter of law by the court and not by the finder of fact" (N Br 11). Having neglected to point out that it asked for the procedure of which it now complains, Petitioner further neglects to point out that Congress created the Federal Circuit with the *express* intention of resolving any conflicts among the decisions of the circuits[5] in the patent law; and that the five decisions relied upon by Petitioner no longer serve as precedent.[6] Thus any alleged conflict is strictly academic.

Petitioner argues that the "CAFC has created confusion within its own decisions as to the role of the court and jury in a patent case" (N Br 13), contrasting the present case with *Union*

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[5] Two years ago, Congress enacted the Federal Courts Improvement Act of 1982 (Pub.L.No. 97-164), and repealed 28 U.S.C. §1292(a)(4). As a result, appellate jurisdiction of judgments in civil actions for patent infringement is exclusively vested in the United States Court of Appeals for the Federal Circuit, 28 U.S.C. §§ 1292(c)(2); 1295(a)(1), for all cases in which notice of appeal was filed after October 1, 1982. By the time this legislation was enacted, numerous unresolved conflicts had arisen among the circuits on important points of patent law. "The Phoenix Court", Hon. Howard T. Markey, Ch. Judge, Ct. Fed. Cir., *Am.Pat.LawAssn.Q.J.*, Vol. 10, No. 4, pp. 227, 231-235 (1982). (BR App 4b). The legislative history of the Act states that Congress' purpose in establishing the new court was to resolve those conflicts:

> "Key provisions of the Federal Courts Improvements Act, and its intended results are as follows:
>
> **COURTS MERGERS**
>
> "First, it would combine the appellate judicial positions, jurisdiction of the Court of Claims with the positions, and jurisdiction of the Court of Customs and Patent Appeals, designating the *newly restructured court the U.S. Court of Appeals for the Federal Circuit.* This restructuring will resolve the gun-shy attitude many corporations, large and small, have with regard to investing the resources needed to develop and implement new technology; an attitude which is the result of the vague, unclear body of patent law which is developed through often *conflicting decisions* rendered by the various circuit courts of appeal....
>
> "The creation of the Court of Appeals for the Federal Circuit *will produce desirable uniformity* in this area of the law. *Such uniformity* will reduce the forum shopping that is common to patent litigation.... Moreover, *as the new court brings uniformity* to this field of law, the number of appeals resulting from attempts to obtain different rulings on disputed legal points can be expected to decrease." (emphasis added) [Cong.Rec.Sen., S.14693, Dec. 8, 1981.]

[6] As a result of this legislation, and because the new court has adopted as its precedent the decisions of the Court of Customs & Patent Appeals and the Court of Claims (*South Corp.* v. *United States,* 690 F.2d 1368, 1371 (Fed. Cir. 1982)) all of the circuit court decisions upon which Petitioner relies to show a conflict with the present decision have no further weight as precedent. *Roberts* v. *Sears, Roebuck & Co.,* 723 F.2d 1324, 1348 (7th Cir. 1983).

Carbide Corp. v. *American Can Co.*, 724 F.2d 1567, 1573 (Fed. Cir. 1984) which, Petitioner argues, "specifically held that the reviewing court is to review the issue of obviousness as 'one of law on which it must exercise independent judgment' (citation)" (N Br 13); however, *Union Carbide* involved appellate review of a documentary record on appeal from a grant of summary judgment. *Union Carbide* has nothing to do with "the role of the court and jury in a patent case" (N Br 13).

3. All Alleged Questions Of Law Were Correctly Decided And Reviewed In The Lower Courts

There was nothing inherently wrong in submitting any of the alleged "questions of law" to the jury for determination by general verdict. Each of those questions, anticipation,[7] obviousness[8] and infringement[9] involved disputed subsidiary questions

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[7] Disputed issues of fact regarding anticipation (i.e. did Loewenstein anticipate all claims of the patent-in-suit (N Br 10-11), included whether Loewenstein disclosed or taught measurement of thin films from the peaks of the interferogram (N App 36); whether substitution of a Michelson interferometer for the lamellar grating of Loewenstein would have been obvious to one of ordinary skill in the art when not working in the far infrared (N App 36); whether Loewenstein disclosed or suggested the mirror oscillation required by the claimed invention (N App 37). Expert testimony was heard on these issues, and the credibility of the experts was in issue by virtue of pertinent differences in their respective experience (N App 36-37).

[8] Determination of obviousness under 35 USC §103 is to be carried out in accordance with this Court's guidelines in *Graham* v. *John Deere Co.*, 383 U.S. at 17, 18, as follows:

> "While the ultimate question of patent validity is one of law, (citation omitted), the § 103 condition, which is but one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries. Under §103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy. (citation omitted)".

Disputed issues of fact regarding obviousness included whether the Loewenstein article disclosed the mirror oscillation required by the claimed invention or whether it would have suggested that oscillation to one of ordinary skill in the art (N App 37); whether the Loewenstein article would have suggested use of a Michelson interferometer, as required by claim 6, to one of ordinary skill in the art (N App 37); whether persons of ordinary skill were skeptical of the invention (N App 37); whether the invention was a commercial success (N App 38); whether the invention reduced labor costs and increased productivity (N App 38); and whether $65,000 instruments

(footnote continued on following page)

of fact. Consequently, they were mixed questions of law and fact, properly determinable by a properly instructed jury. The propriety of the jury instructions is not in dispute (N App 44).

Petitioner argues that the language of the claims of the patent-in-suit was clear and unambiguous, and therefore that the scope of the claims should have been decided by the District Court and the Federal Circuit as a matter of law; however, Petitioner ignores the conflict in the evidence on the infringement question and in any event waived its right to raise this issue on appeal when it voluntarily submitted the question to the jury for determination.

Petitioner argues that the Federal Circuit's review of the verdict was improper because the only evidence it relied upon as "substantial evidence" in support of the verdict was expert testimony on the ultimate conclusion of validity (N Br 12-13); however, the Court's opinion makes it clear that, in reviewing the verdict, it looked at *facts*.

> "The only question for this court, therefore, is whether, on the *facts* testified to by Gebbie and presented by Bio-Rad, reasonable jurors could conclude that the invention would have been obvious to one of ordinary skill in the art at the time it was made." (N App 37).

In addition, because this argument is an attack on the substantiality of the evidence, Petitioner cannot be heard on it.

(footnotes continued from preceding page)

constructed in accordance with the invention caused savings so great that they could pay for themselves in about two weeks (N App 38). Here too, the credibility of witnesses was in issue (N App 36-37).

[9] Disputed issues of fact regarding infringement included whether the manner in which mirror travel is measured in the accused device is functionally equivalent to the manner called for by the literal language of the patent claims (N App 43); whether Petitioner's device avoided infringement by merely adding forward and then reverse Fourier transform steps to its operation (the "cepstrum" (N App 44)); whether the "in sequence" language of method claims 1-4 should be construed to mean "in a sequence" or, instead, "in the following sequence" (N App 42-43); and whether, if "in sequence" should be construed to mean "in the following sequence", was the sequence employed in Petitioner's device functionally equivalent (N App 42-43). Expert and lay witnesses testified on these subjects, and the credibility of their testimony was in question.

Petitioner did not renew its motion for directed verdict at the close of all the evidence and thereby forfeited its right to contest the substantiality of the evidence supporting the verdict. F.R.Civ.P. 50(b) (BR App 3b); *Creative Cookware* v. *Northland Aluminum Products, Inc.*, 678 F.2d at 748; *Tights, Inc.* v. *Acme-McCrary Corp.*, 541 F.2d at 1058.

Petitioner argues that the Court of Appeals must make an "independent evaluation" of the underlying facts on patentability (N App 11, 13), and that the Federal Circuit made no "independent review" of the record on validity (N Br 13). What Petitioner means by "independent review" and "independent evaluation" is unclear. If Petitioner means that either this Court or the Court of Appeals must sit as a jury and weigh the evidence, then the 44 days spent by the jury were wasted.[10] Plainly, where the credibility of witnesses is at issue, as it was in this case, the higher courts should not re-weigh the evidence as jurors, but should perform the traditional function of appellate courts on review, as the Federal Circuit did in this case (N App 29-30).

The Federal Circuit did not merely defer to the jury's decision. The verdict was brief and exceedingly general, whereas the Federal Circuit opinion is 24 pages in length, and contains 14 pages of detailed discussion on the technical facts (N App 31-44).

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[10] Not every determination of patent validity involves a constitutional question. Prior to 1952, the courts determined patentability under common law rules designed to satisfy the objective of the Constitution to promote the progress of science and the useful arts. Accordingly, the courts were applying and interpreting the Constitution directly. Thus, in *Great Atlantic & Pacific Tea Co.* v. *Supermarket Equipment Corp.*, 340 U.S. 147, 95 L.Ed. 162 (1950), Justices Black and Douglas declared, in dicta from a minority concurring opinion, that improper fact finding may not be a substitute for proper determination of patent validity. There, the lower courts had applied an improper standard. In 1952, following *A & P*, Congress enacted 35 USC §103 to satisfy the Constitutional standard. Subsequently, in *Graham*, this Court established guidelines for applying §103. Absent some question as to the standard of patentability, or as to interpretation of §103, neither of which is present here, the determination of validity in the ordinary patent case does not raise a Constitutional issue.

4. There Was No Abuse of Discretion In The Non-Use Of Special Interrogatories

Petitioner contends "a number of courts have insisted that the trial court employ special interrogatories setting forth the elements of the factual inquiry required in *Graham* v. *John Deere Co.*" (N Br 14); argues that the position of the Federal Circuit on the issue is "at best, confusing" (N Br 14); and says that the "supervision and guidance of this Court is needed" (N Br 15). However, Petitioner does not suggest what it is that this Court should do. Does Petitioner ask this Court to find it was an abuse of discretion for the Federal Circuit and District Court not to have required the special interrogatories that Petitioner itself successfully opposed? Does it offer special interrogatories that it contends should have been used? Or does it merely ask this Court to declare its position on special interrogatories for the benefit of future generations?

Plainly, this is not an appropriate case for this Court to consider on the topic of special interrogatories, a topic which this Court has previously declined to consider in *Railroad Dynamics, cert. denied* October 2, 1984.

Petitioner's authorities are no longer precedent and, even if they were, would not require a different result. In *Roberts* v. *Sears,* 723 F.2d at 1339, the Court found an abuse of discretion for non-use of special *verdicts* (F.R.Civ.P. 49(a)) (BR App 2b), not for non-use of special interrogatories (F.R.Civ.P. 49(b)) (BR App 3b), and its decision was based in part upon the fact that the appellant had objected to the jury being instructed to decide obviousness, and in part on the fact that the jury was plainly confused as to the manner in which that determination was to have been made. In *Baumstimler* v. *Rankin,* 677 F.2d 1061 (5th Cir. 1982), the Court merely expressed its preference (as dicta) for special interrogatories in patent cases, just as the Federal Circuit has expressed its preference.

Whatever "confusion" Petitioner experiences in interpreting the Federal Circuit's position on special interrogatories should be alleviated as a result of that Court's recently reported

decision in *Weinar* v. *Rollform, Inc.*, Nos. 84-515, 84-526, slip op. (Fed. Cir. Sept. 17, 1984) (BR App 7b), which flatly states that the Court's prior decisions did not and were never intended to mandate use of special interrogatories, and that the matter is left to the sound discretion of the trial courts.[11]

5. The Federal Circuit Did Not Err in Upholding The Award Of Damages For Lost Profits: Respondent Was Not Required To Prove Its Own Product Was Covered By The Patent Because The Jury Instructions Did Not So Require. There Is No Dispute Over The Propriety Of Those Instructions

Petitioner's contentions that the damage award is unsupportable because Respondent did not prove its own product was covered by the patent (N Br 20-21) ignores the fact that there was adequate evidence in the record from which a reasonable jury could have concluded that the Respondent's product, the "FTG" was covered by the patent. Specifically, Respondent took an exclusive license from the patent owner in 1970 and, thereafter paid the patent owner in excess of $300,000 in royalties on sales of the FTG; there was evidence that Petitioner's infringing product was a substantial copy of the FTG in all respects relevant to the patent; and one witness testified that the commercial success of the FTG was directly attributable to its embodiment of the invention of the patent.

Nevertheless, the stipulated jury instructions (N App 46-47) (BR App 10b, 11b) included no requirement that the patentee's product be covered by the patent, and the propriety of those instructions was not in issue before the Federal Circuit (N App 47). Thus the matter is not in issue before this Court.

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[11] The Federal Circuit conforms to the general rule that use of special interrogatories is discretionary with the trial court. F.R.Civ.P. 49(b) ("The court *may* require..."); Wright & Miller, *Federal Practice and Procedure*, Vol. 9 §2505, p. 492 (1971). Appellate courts have generally refused to find an abuse of discretion for non-use of Rule 49 devices. Wright & Miller, *supra*, Vol. 9, § 2505, p. 493; § 2511, p. 522 (1971):

> "The decision whether to use a general verdict unaccompanied by special interrogatories, as authorized by Rule 49(b), is similarly committed to the *unreviewable* discretion of the trial judge (citations omitted)". (Wright & Miller, *supra*, § 2511, p. 522) (emphasis added).

No decision of this court is to the contrary.

Even if the matter were properly in issue before this Court, there would be no reason for this Court to review the Question Presented. No decision of this Court suggests that a patentee must prove its own product to be covered by the patent to collect damages of any sort. Petitioner asserts that this Court's decision in *Westinghouse Electric & Mfg. Co.* v. *Wagner Electric & Mfg. Co.*, 225 U.S. 604, 56 L.Ed. 1222 (1912) "strongly implies" a contrary rule. However, *Westinghouse* was decided in an era when the *infringer's* profits were recoverable as a measure of damages, and dealt with whether the *infringer's* profit was attributable to the patent so as to justify the patentee's recovering the *infringer's* profits on a theory of unjust enrichment.

Moreover, the lower court cases Petitioner cites do not stand for the proposition asserted. The decision in *Panduit Corp.* v. *Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978) does not require that the patentee's product be patented,[12] and in any event is but one of the tests for recovery

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[12] Petitioner argues that the phrase "demand for the patented product" in *Panduit* means that the patentee's product must be patented; however, this was not an issue in *Panduit*, and when the subject phrase is placed in context, no such meaning appears:

> "To obtain as damages the profits on sales he would have made absent the infringement, *i.e.*, the sale made by the infringer, *a patent owner* must prove: (1) demand for *the* patented product, (2) absence of acceptable non-infringing substitutes, (3) *his* manufacturing and marketing capability to exploit the demand, and (4) the amount of profit *he* would have made." 575 F.2d at 1156 (emphasis added).

If the author of the test had intended the construction urged by Petitioner, presumably he would have said, instead, "demand for *his* patented product", since comparable pronouns were used in elements 3 and 4 of the test, where reference to the patentee was intended.

of damages in the form of lost profits.[13] The decision in *Velo-Bind, Inc.* v. *Minnesota Mining & Mfg. Co.*, 647 F.2d 965 (9th Cir.), *cert. denied* 454 U.S. 1093 (1981), turns on special facts not applicable here[14] and, in any event, is no longer precedent.

6. There Is No Conflict Of Decisions, And No Question Of Public Importance Is Presented

No suit has been brought against any other infringer of the patent in suit; no one else is infringing the patent; and no one else ever will infringe the patent, because it expired in May 1984.

Unlike cases relating to the patentability of micro-organisms and computer programs, this case presents no question of unusual public importance.

There is no conflict of decision as to the validity of this patent in the determinations of the jury, trial court and Court of Appeals; each upheld the patent as valid and infringed. There is no issue as to whether a proper standard of patentability has been employed.

In short, this is a commonplace private dispute. Applicable here are the rules stated in *Universal Oil Products Co.* v. *Globe Oil & Refining Co.*, 322 U.S. 471, 473, 88 L.Ed. 1399 (1944):

> "Where the questions presented by the contested claims of infringement and validity are purely factual, this Court ordinarily accepts the concurrent conclusion of the district court and Circuit Court of Appeals in these cases. (citation omitted)"

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[13] Other courts have awarded lost profits without a showing that the patent owner's device was covered by the patent. *Gyromat Corp.* v. *Champion Spark Plug Co.*, 735 F.2d 549 (Fed. Cir. 1984); *American Safety Table Co.* v. *Schreiber*, 415 F.2d 373 (2d Cir. 1969). A longstanding test, widely applied, requires only that a patent owner show a reasonable probability that it would have made the sale but for the infringing device. *Milgo Electronic Corp.* v. *United Business Communications, Inc.*, 623 F.2d 645 (10th Cir. 1980); *H.K. Porter Co., Inc.* v. *Goodyear Tire & Rubber Co.*, 536 F.2d 1115, 1122 (6th Cir. 1976); *Livesay Window Co.* v. *Livesay Industries, Inc.*, 251 F.2d 469, 471 (5th Cir. 1958). This test was sanctioned as an acceptable alternative to the *Panduit* test by the Court of Appeals for the Federal Circuit in *Lam, Inc.* v. *Johns-Manville Corp.*, 718 F.2d 1056, 1065 (Fed. Cir. 1983).

[14] *Velo-Bind* deals only with unpatented consumables arguably "tied" to a patented product, and the Court distinguished this from other situations where a tie-in did not exist.

and in *Keller* v. *Adams-Campbell Co.*, 264 U.S. 314, 319, 68 L.Ed. 705 (1924):

> "Such an ordinary patent case . . . this Court will not bring here by certiorari unless it be necessary to reconcile decisions of the Circuit Courts of Appeal on the same patent."

The record here does not present any substantial question of Federal law, or any Constitutional question requiring resolution by this Court. The unanimous decision by the jury, the District Court and the Federal Circuit are soundly based on the particular facts of this case and are in accord with the decisions of this Court.

Conclusion

This petition should be denied.

Respectfully submitted,

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November 1984

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Rule 39. Trial by Jury or by the Court

* * *

(a) By Jury. When trial by jury has been demanded as provided in Rule 38, the action shall be designated upon the docket as a jury action. The trial of all issues so demanded shall be by jury, unless (1) the parties or their attorneys of record, by written stipulation filed with the court or by an oral stipulation made in open court and entered in the record, consent to trial by the court sitting without a jury or (2) the court upon motion or of its own initiative finds that a right of trial by jury of some or all of those issues does not exist under the Constitution or statutes of the United States.

* * *

(c) Advisory Jury and Trial by Consent. In all actions not triable of right by a jury the court upon motion or of its own initiative may try any issue with an advisory jury or, except in actions against the United States when a statute of the United States provides for trial without a jury, the court, with the consent of both parties, may order a trial with a jury whose verdict has the same effect as if trial by jury had been a matter of right.

Rule 49. Special Verdicts and Interrogatories

(a) Special Verdicts. The court may require a jury to return only a special verdict in the form of a special written finding upon each issue of fact. In that event the court may submit to the jury written questions susceptible of categorical or other brief answer or may submit written forms of the several special findings which might properly be made under the pleadings and evidence; or it may use such other method of submitting the issues and requiring the written findings thereon as it deems most appropriate. The court shall give to the jury such explanation and instruction concerning the matter thus submitted as may be necessary to enable the jury to make its findings upon each issue.***

(b) General Verdict Accompanied by Answer to Interrogatories. The court may submit to the jury, together with appropriate forms for a general verdict, written interrogatories upon one or more issues of fact the decision of which is necessary to a verdict. The court shall give such explanation or instruction as may be necessary to enable the jury both to make answers to the interrogatories and to render a general verdict, and the court shall direct the jury both to make written answers and to render a general verdict.***

Rule 50. Motion for a Directed Verdict and for Judgment Notwithstanding the Verdict

* * *

(b) Motion for Judgment Notwithstanding the Verdict. Whenever a motion for a directed verdict made at the close of all the evidence is denied or for any reason is not granted, the court is deemed to have submitted the action to the jury subject to a later determination of the legal questions raised by the motion.***

Rule 51. Instructions to Jury: Objection

At the close of the evidence or at such earlier time during the trial as the court reasonably directs, any party may file written requests that the court instruct the jury on the law as set forth in the requests. The court shall inform counsel of its proposed action upon the requests prior to their arguments to the jury, but the court shall instruct the jury after the arguments are completed. No party may assign as error the giving or the failure to give an instruction unless he objects thereto before the jury retires to consider its verdict, stating distinctly the matter to which he objects and the grounds of his objection. Opportunity shall be given to make the objection out of the hearing of the jury.

THE PHOENIX COURT

BY CHIEF JUDGE HOWARD T. MARKEY

APLA Quarterly Journal, Vol. 10,
No. 4, p. 227 et seq. (1982)

* * *

V. Opportunity To Clarify The Law

One opportunity immediately presents itself. Because the court is interpreting and applying the law to patent applications and to issued patents, a chance exists to clear the air on both sides of the issue date.

Not only the opportunity, but the duty of clarifying the law of patents itself will require the resolution of numerous apparent conflicts lurking in past decisions and decisional approaches of various courts. What follows are a few examples.

Some courts appear to have adopted synergism as a condition of patentability and others have not. Where obviousness has been held a question of fact, a finding of obviousness or nonobviousness by the trial court can be viewed as insulated from appellate review unless "clearly erroneous" under Fed.R.Civ.P.52(a), and, in a jury trial, the jury resolves the issue. Where obviousness has been held a question of law, the trial judge may decide it and it can be viewed as fully reviewable on appeal.

Some courts appear to have held that a licensee may challenge the validity of the licensed patent in a declaratory judgment action without terminating the license. In another court it appears that such action will be dismissed for lack of a justiciable controversy.

A court appears to have held that the standard for review of obviousness of a design invention is the "ordinary intelligent man."[5] Others appear to have adopted the "ordinary designer" standard.

A presumption of obviousness of a claimed compound, based on structrual similarity to one in the prior art, appears to have been held rebuttable by evidence that the compound

possesses new and unexpected properties. Other courts have applied differing views.

To establish a "failure to disclose best mode" defense in some courts, it appears that both knowledge and intent to conceal must be shown.[8] In others, it appears that a patent may be invalidated if the inventor knew of a better mode, regardless of intent.

In one court it appears that unless a contract for sale contains an express or clearly implied condition that the sale is primarily for experimental purposes, there will be no inquiry into its experimental nature. In another, it appears that evidence of experimental intent may be considered when no such intent is indicated in the sale contract.

In one court it appears that a patent may be corrected by adding the name of a joint inventor though neither the named inventor nor the assignee agrees. In another, it appears that the patentee must cooperate to effect the change.

In one court it appears that there must be an amendment to a claim before the doctrine of file wrapper estoppel will be invoked. In another, it appears that an attorney's remarks can be sufficient to invoke the doctrine.

Is a patentee, who is estopped from enlarging the scope of amended claims to encompass an alleged infringer's product, also estopped from contending that his patent, as issued, is nonobvious? In one court, it appears that he is not. In another, it appears that he is.

In one court, it appears that *Muncie* prohibits introduction of claims after the bar period even though those claims are supported by the application as originally filed. In others, it appears that *Muncie* is merely a prohibition against new matter.

In some courts, it appears that the burden of proof to establish a public use or an on-sale bar is clear and convincing evidence. In another, it appears that the burden requires clear, convincing, and substantial evidence. And in another, it appears that the burden is one of "beyond a reasonable doubt."

One court appears to require that courts decide infringement first, and then decide validity only if necessary. Another appears to require that courts decide validity first, and then decide infringement only if necessary.

The foregoing list is certainly not exhaustive. It appears sufficient to illustrate, however, something of the task faced by the CAFC in bringing uniformity and reliability to the law of patents. (citations omitted)

United States Court of Appeals for the Federal Circuit

ROGER NEIL WEINAR, an individual, CONCEPT SEARCH, INC., a corporation, and NATIONAL GYPSUM COMPANY, a corporation,

Appellees,

v. **Appeal No. 84-515**

ROLLFORM INCORPORATED, a corporation,

Appellant.

ROGER NEIL WEINAR, an individual, CONCEPT SEARCH, INC., a corporation, and NATIONAL GYPSUM COMPANY a corporation,

Cross-Appellants,

v. **Appeal No. 84-526**

ROLLFORM INCORPORATED, a corporation, and GEORGE C. ADAMS, an individual,

Cross-Appellees.

DECIDED: September 17, 1984

Before MARKEY, *Chief Judge,* NICHOLS, *Senior Circuit Judge,* and KASHIWA, *Circuit Judge.*

MARKEY, *Chief Judge.*

* * *

APPEAL NO. 84-526

Interrogatories

Like Rollform, Weinar attempts much from the election of the trial judge to forego submission of fact interrogatories to the jury. Weinar's plaintive cry that there is "no record" to show which findings or legal grounds formed the basis for the jury's

verdict that the '095 and '580 patents are invalid, is of interest in view of its ready acceptance of the same jury's verdict that the '644 patent is valid. It is also wrong.

* * *

At trial, it was Rollform who requested the submission of interrogatories and it was Weinar who successfully objected to the submission. Indeed, the district court adopted the jury instructions proposed by Weinar. On at least two grounds, therefore, Weinar's argument is improper. First, if error had occurred, it would have been an "invited error" not subject to consideration on appeal. Second, Weinar's failure to object to the absence of interrogatories precludes the assignment of that absence as error here.

Recognizing its failure to request interrogatories, or to object to their absence, Weinar says its failure must be here disregarded because there has been an intervening change in the law and appellate courts must apply the law as it exists when the appeal is decided, absent manifest injustice. Weinar's difficulty is that the law has not changed.

Weinar's notion that the law on interrogatories was "changed" by this court in *American Hoist & Derrick Co.* v. *Sowa & Sons, Inc.*, 725 F.2d 1350, 220 USPQ 763 (Fed. Cir. 1984), is wrong. Weinar's statement that this court "reversed a holding of invalidity for obviousness" because interrogatories were not used is untrue. This court in that case remanded because of erroneous instructions on the law of fraud and obviousness.

It is true that the court in *American Hoist* said the district court "should have" submitted interrogatories, but in view of the language of Fed. R. Civ. P. 49 ("a court *may* submit" [emphasis added]) it would improperly invade the right of a district judge to manage trials if an appellate court were to reverse in reliance on its own view that the rule should say "*shall* submit". The role of an appellate court does not include modification of the Federal Rules of Procedure approved by the Supreme Court and mandated by the Congress, and this court in *American Hoist* attempted no such modification.

It is also true that in *American Hoist,* in *Railroad Dynamics, supra,* and in *Connell, supra,* this court noted an advantage accruing to judges on review of jury verdicts when those verdicts are accompanied by answers to fact inquiries. In *American Hoist,* this court noted earlier decisions of other circuits which, for some reason, saw that advantage as somehow more attractive in "a patent case". Given the same familiarity with the substantive law involved, however, the advantage to a reviewing judge is the same in any kind of case.

An appellate court should not vacate a judgment on a jury verdict solely because the trial judge declined to submit fact interrogatories to a jury. To do so would abrogate the discretion of the trial judge explicitly provided by Rule 49. To do so with respect to some but not other patent cases would confront the trial judge with a definitional quagmire.

Whatever advantage may accrue at the review stage, there are other stages in the judicial process, and submission of interrogatories is not in all cases an unmixed blessing. The decision to submit interrogatories, and the precise language in which they are couched, can have an untoward effect on a verdict, if certain elements of the trial or the evidence are thereby overly emphasized in the jury's mind. The potential for confusion and for conflict in answers to interrogatories and the verdict may be increased. The nature of the trial and the evidence, and the events at trial, may well influence the decision to employ or forego interrogatories.

The foregoing and other considerations reflect the wisdom of continuing to repose the question of submitting interrogatories within the sound discretion of the trial judge who is most familiar with all the courtroom circumstances existing at the time. With the knowledge of those circumstances fresh, and in expectation of a motion for JNOV and an appeal, trial judges can be trusted to employ interrogatories when it appears that the advantages of that step on review of the jury's verdict outweigh the potential for untoward results outlined above.

* * *

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UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

BIO-RAD LABORATORIES, INC.,
a Delaware corporation,
Plaintiff,

v.

CIVIL ACTION No.
C81-2553 SAW

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,
Defendant.

PATENT JURY INSTRUCTIONS

TOWNSEND and TOWNSEND

By /s/ J. GEORG SEKA
J. Georg Seka
Attorneys for Plaintiff

FLEHR, HOHBACH, TEST,
ALBRITTON and HERBERT

By /s/ HAROLD C. HOHBACH
Harold C. Hohbach
Attorneys for Defendant

Jury Instruction No. 50

DAMAGES: LOST PROFITS

If you find that the Flournoy patent is valid and infringed by the MX-ECO, and that by reason of such infringement plaintiff Bio-Rad has lost sales of the FTG-12C instrument, plaintiff shall be entitled to recover an amount equal to its lost profits.

To award lost profits, you must find by a preponderance of the evidence that plaintiff Bio-Rad would have made some of the sales but for the activities of the defendant Nicolet. You should consider such factors as whether plaintiff had the existing or at least potential manufacturing and marketing capabilities to obtain the infringing sales, whether plaintiff's FTG-12C and defendant's MX-ECO compete with one another, whether plaintiff's and defendant's marketing efforts were aimed at the same geographical markets and categories of customers, and whether there were any particularly close substitutes for the FTG-12C and the MX-ECO.

If you find that plaintiff has established a reasonable estimate of the number of the FTG-12C it would have sold had it not been for the infringement, you must then determine the profit that plaintiff would have made on each of such instruments that it would have sold. This determination involves plaintiff's financial records only, and requires a demonstration by plaintiff of the differences between the costs and revenues, the plaintiff would have experienced in the absence of the infringement.

For those MX-ECO sales by defendant where you find that plaintiff would not have made the sale, even in the absence of the infringement, you may not award lost profits, but rather you must award an amount based on a reasonable royalty which I will soon explain.